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REPORT
OF THE
DELEGATES OF THE
BANKS OF THE CITY OF NEW-YORK,
TO THE
BANK CONVENTION.
HELD AT NEW-YORK,
ON 27TH NOVEMBER TO 1ST DECEMBER, 1837.

PUBLISHED BY ORDER OF THE GENERAL COMMITTEE OF
THE CITY BANKS.

NEW-YORK :
A. DE CAMP & CO., 34 WALL-STREET.
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1837.

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At a meeting of the Officers of the Banks of the City of New-York, held on the 15th December, 1837—

The delegates appointed to represent the said Banks in the Convention of the Banks of the several States, which met at New-York, on the 27th of November last, and on the following days, to the 1st of this month, made the following report. Whereupon it was

Resolved, That the said report be accepted and published.

PETER STAGG, *Chairman*.

W. M. VERMILYE, *Secretary*.

REPORT.

THE delegates appointed to represent the Banks of the city of New-York, in the general Bank Convention, held in the said city, on the 27th of November, 1837, respectfully submit, together with a copy of the proceedings of the Convention, the following report, explanatory of their votes in that body :

The banks of the several states have been vested with the power, and, in most of the states, especially in that of New-York, with the exclusive privilege of issuing a paper currency, on the express condition, that they should at all times, and whenever the demand was made, redeem it in gold or silver, the only constitutional legal tender or currency, with which debts may be discharged. Nothing, therefore, but the inability to perform the condition, can justify a suspension of specie payments on the part of the banks.

The immediate causes which thus compelled the banks of the city of New-York to suspend specie payments, on the 10th of May last, are well known. The simultaneous withdrawing of the large public deposits, and of excessive foreign credits, combined with the great and unexpected fall in the price of the principal article of our exports, with an import of corn and bread stuffs, such as had never before occurred, and with the consequent inability of the country, particularly of the south-western states, to make the usual

and expected remittances, did, at one and the same time, fall principally and necessarily, on the greatest commercial emporium of the Union. After a long and most arduous struggle, during which the banks, though not altogether unsuccessfully, resisting the imperative foreign demand for the precious metals, were gradually deprived of a great portion of their specie ; some unfortunate incidents of a local nature, operating in concert with other previous exciting causes, produced distrust and panic, and finally one of those general runs, which, if continued, no banks that issue paper money payable on demand, can ever resist ; and which soon put it out of the power of those of this city to sustain specie payments. The example was followed by the banks throughout the whole country, with as much rapidity as the news of the suspension in New-York reached them, without waiting for an actual run, and principally, if not exclusively, on the alleged grounds of the effects to be apprehended from that suspension. Thus, whilst the New-York city banks were almost drained of their specie, those in other places preserved the amount which they held before the final catastrophe.

If the share of blame, which may justly be imputed to the banks, be analyzed, it will be found to consist in their not having, at an early period, duly appreciated the magnitude of the impending danger, and taken, in time, the measures necessary to guard against it ; in their want of firmness when the danger was more apparent and alarming ; in yielding to the demands for increased, or continued bank facilities, instead of resolutely curtailing their loans, and lessening their liabilities. Whether the most acute foresight, and the most powerful exertions, could have enabled the banks to have averted the blow, is a question which we are not called upon to discuss.

Whatever explanations may be given concerning the past ; since nothing but actual inability can be alleged as an

excuse for having ceased to perform the express condition, on which the privilege to issue a paper currency had been granted; it is equally obvious, that nothing can justify a protracted suspension, but the continued inability to resume and sustain specie payments. This principle is indeed so evident, that, as an abstract proposition, its correctness is universally admitted: and all agree in expressing their "thorough conviction, that nothing can excuse the continuance of suspension, after the necessity which demands it, shall have ceased." But, in enumerating the objections to an early resumption, or to fixing a day for it, the discussion was not confined to arguments derived from a supposed continued inability on the part of the banks to resume; but an appeal was also made to considerations of presumed expediency, connected with the general situation of the country, and on which the simple fact of the ability of the banks to resume, and sustain specie payments, does not depend.

It is but too well known, that a general suspension of specie payments by the banks, is not confined to them alone, but extends instantaneously to the whole community. As they had substituted their paper for the metallic currency, and as even the portion of specie which still circulated, disappears at once, when the general bank suspension takes place, the depreciated bank paper currency alone remains, both as the only medium of payment, and, by a necessary consequence, as the practical standard of value. Thus, by a strange anomaly, whilst the courts of law can consider nothing but gold or silver as the legal payment of debts, every individual, without exception, who is not compelled by process of law, or who does not resort to the tribunals for redress, pays all his debts with, and receives nothing in payment but, an irredeemable, depreciated currency. A general usage, openly at war with law, usurps its place; and the few cases where the laws are enforced, are only exceptions to the universal practice. Instead of

the permanent and uniform standard of value provided by the constitution, and by which all contracts were intended to be regulated, we have at once fifty different, and fluctuating standards, agreeing only in one respect, that of impairing the sanctity of contracts. Even restrictive and penal laws, are openly and daily violated with impunity, by every body, in circulating notes forbidden by law. It is impossible that such a state of things should not gradually demoralize the whole community ; that a general relaxation in the punctual and honourable fulfilment of obligations and contracts, should not take place ; that that which operates as a general relief law, should not be attended with the same baneful effects, which have always attended positive laws of the same character ; and that, if the present illegal system be much longer continued, the commercial credit and prosperity of the country, and more particularly of this city, should not be deeply and permanently injured.

When we see such extensive, general and, we may say, intolerable evils flowing from a general suspension of specie payments by the banks, it is monstrous to suppose that, if they are able to resume, and sustain such payments, they should have any discretionary right to decide, or even to discuss the question, whether a more or less protracted suspension is consistent with their own views of "the condition and circumstances of the country." There would be no limit to such supposed discretion. Thus, for instance, should the hope of a favourable action of Congress on the currency be still alleged as a motive for delay, would not this be tantamount to a protracted suspension for an indefinite period of time ?

The banks are bound by the strongest legal and moral obligations to resume specie payments whenever they are able to maintain such payments. It is the paramount duty to which every other consideration must yield. Their ability to perform that duty, is the only question which they have a

right to discuss, and which they are bound to examine with the utmost care and candour.

Strictly speaking, the power to issue paper money should cease whenever the express condition, on which the privilege was granted, cannot be performed. It is only through the indulgence of the legislature, and of the community, that the banks are still permitted, for awhile, to continue their issues. If there be, indeed, any considerations affecting the general welfare, which can render the continuance of an irredeemable currency desirable, after the time when the banks are or shall think themselves able to resume specie payments, the application for a further protraction must come from the parties interested, and not from the banks; and it must be made, not to the banks, but to the legislature.

It was urged, that some respectable merchants, here and in other places, were opposed to an early resumption. During the late trying crisis, some of the most respectable and solvent members of the commercial community might have been under the necessity of requiring some indulgence, at least in point of time. But there is not one of those honourable men, who would not think himself disgraced and degraded, if, after having obtained the requisite time, he delayed the fulfilment of his engagements a single day after he had become able to do so. That which they require from the banks is, therefore, unjust and unreasonable: for they ask them to do that, from which, in their own case, they would shrink; and which, if done by any one in his individual capacity, they would consider as disgraceful and dishonourable.

It was indeed insisted, that some of the general considerations to which we have alluded, made it dangerous for the banks to attempt to resume specie payments. We will advert to all the objections truly of that character; but deem it unnecessary to take further notice of that founded on an expected action of congress, or to dwell on those clearly

arising from local or particular interests, such as the want of extended bank accommodations, and the supposed facilities afforded by a protracted suspension for the collection of debts. Yet, we must not be understood as admitting that such protraction would, in any respect, be advantageous to the community at large; believing, on the contrary, as we do, that its general and permanent interests would be sacrificed to temporary ease and particular classes, should the suspension be continued any longer than absolute necessity requires.

Amongst the considerations deemed by us to be irrelevant to the true and only question before the banks, that most strongly urged, was the alleged necessity of a previous "restoration of domestic exchanges to their natural and regular condition and order." This is confounding cause and effect. The obligation to pay specie, is the check which regulates the exchanges and prevents them from rising much above the specie par. The suspension of specie payments, and the consequent great difference in value, as compared with specie, of the several local bank currencies, are the cause of the great corresponding inequalities of the domestic exchanges, so justly complained of; and the evil cannot otherwise be overcome, than by a general resumption of specie payments. If A, in Philadelphia, is obliged to lose ten per cent., in order to draw his funds from Nashville, it is because (whether owing to excess in circulation, or to great indebtedness, is immaterial) the Tennessee bank currency is worth ten per cent. less than that of Philadelphia. If specie payments were resumed in both places, he would lose, at most, two or three per cent. on the exchange. But A is now permitted, by general usage, to pay his debts at home in Philadelphia bank paper, worth six per cent. less than specie. He apprehends that, if the Philadelphia banks should resume specie payments before those of Tennessee, being obliged to pay his own debts in paper equal to specie, he

would lose 16, instead of 10 per cent., on the Tennessee exchange. The argument, derived from the present condition of domestic exchanges, resolves itself, therefore, into one of expediency. It is founded on the inadmissible supposition, that in order to accommodate special interests, and to benefit certain classes, the banks, though, from their situation and resources, able to resume specie payments, have a right to protract the suspension, to postpone the payment of their own debts, and to delay the performance of the paramount duty they owe to the community at large, of restoring a currency equal to gold or silver.

The only question, on which the convention was called upon to deliberate, being the ability of the banks to resume and sustain specie payments, it appeared to the delegates of both the city and country banks of New-York, that an early day might at this time be designated for that purpose.

In their first circular of the 18th of August, the committee of correspondence of the city banks, had pointed out such a favourable alteration in the rate of foreign exchanges, as would remove the danger of an immediate exportation of the precious metals, and a concert on the part of the principal banks of the country, as the only requisites for resuming with safety.

In reference to the first point, several estimates of the amount of foreign debt still due, neither provided for, nor postponed, and which probably would be demanded, and must be paid, before the first of July next, were alluded to, in the course of the discussion. Those estimates varied from five to twenty millions of dollars. The lowest calculation appeared to rest on correct data: but if somewhat too low, the difference might be readily provided for, by the first proceeds of the cotton crop, and by the sale of state stocks. But it was not at all necessary to resort to calculations of the amount of our foreign debt. Its effect on foreign exchanges, and on a consequent drain of specie for export-

ation, is the only point in which the banks are concerned, and which could affect the question under consideration.

At the very time when the convention was deliberating, the exchange on London, which had been as high as 121, had fallen to 114, nominal: and the true par being a fraction above $109\frac{1}{2}$ nominal, the exchange was in fact but four per cent. above par in city bank paper. But that paper was itself at five per cent. below specie; and the rate of exchange was, therefore, one per cent. below specie par. In other words, any given quantity of New-York bank notes could purchase bills on London, exceeding by one per cent. the corresponding amount in specie, which the same quantity of bank notes could purchase. Ninety-nine gold sovereigns cost as much as a bill on London of one hundred pounds sterling. Under such circumstances, specie could not be exported without a loss, and accordingly the exportation had altogether ceased. It is well known that, within a week after the adjournment of the convention, a further fall had reduced the rate of exchange to $111\frac{1}{2}$ nominal; that is to say, to $2\frac{1}{2}$ per cent. below the true specie par, and within less than 2 per cent. of being at par with New-York bank notes. But, reverting to the time when the convention was sitting, the requisite alteration was no longer a matter of conjecture; and the fact, that the exchange had fallen below the true specie par, and that the exportation of specie had ceased, had actually taken place.

Apprehensions were nevertheless expressed, of the effect which large importations of grain and merchandise might hereafter have on the foreign exchanges, and of an expected drain of specie for the China trade. It appeared to us that if, after the principal acknowledged cause of the suspension, and which presented the greatest obstacle to the resumption, had actually ceased to operate, we were permitted to allege conjectures and contingencies, as a proper ground for protracting the suspension, there was no time, at which some

plausible reasons of a similar character might not be adduced, and the resumption be indefinitely postponed.

With respect to the danger of excessive importations, it might indeed be apprehended that, whenever the pressure of the foreign debt was removed, the commercial community might, with its characteristic energetic spirit of enterprise, resume its business too soon, and on too large a scale. And it is, on that account, highly important, that the banks should seize eagerly that eventful moment, and, as it may be called, the turn of the tide, for an immediate resumption, before new undertakings may raise new obstacles to the accomplishment of that object.

The danger of unfavourable exchanges, and of an extraordinary exportation of specie, being now out of question, what other causes could impair the ability of the banks, generally, or in some sections of the country, to resume specie payments within a very short period?

The four great south-western states were not represented in the convention: and it will be admitted that some of them may not be ready as early as the other parts of the Union. It is, on that point, sufficient to observe, 1st. That, being largely debtors, their not resuming immediately cannot in any way affect the stability of specie payments by the other states. 2d. That the resumption by other states will not, in the slightest degree, impair the productive industry of those districts, whose great natural resources will, notwithstanding the peculiar situation of their banks, early and powerfully promote the payment of debts and the renewal of sound business.

By no other portion of the country was it intimated, that there were any banks, whose particular situation required a longer time than might be wanted by those of New-York: unless this should have been implied in some allusions to the respective indebtedness to each other, of the several cities or districts. In such cases, justice requires, and it may be

done in a very short time, that the necessary curtailments should be made in the debtor places, and the resources thus obtained should be applied to the discharge of such debts, and, when necessary, to the purchase of specie. This is, in fact, the course pointed out by the resolution, unanimously adopted by the convention: "That this convention strongly recommends to all the banks of the United States, to continue by proper measures, to prepare themselves to return to specie payments, within the shortest practicable period after the next meeting of the convention."

We have every reason to believe, that the banks represented in the convention, were in a sound state; and, in every respect, as well prepared and able to resume specie payments, as those of the city of New-York. It would indeed be strange that it should be otherwise. New-York suffered incomparably more than any other city; the failures were far more numerous; its banks were subject more than any others to the causes which produced the suspension, and alone to a run of domestic origin, alone drained of the greater part of their specie, whilst banks in other places preserved the greater part of theirs.

The only reason which remains to be examined, is the apprehension that confidence may not have been sufficiently restored to ensure a permanent resumption. The causes which occasioned the distrust, the panic, and the run on some of the banks, have ceased to operate. Such coincidence of extraordinary events and unfortunate incidents, as produced the catastrophe, must be rare, and may never again occur. It must be conceded, that it is impossible that confidence should be restored, until the banks shall have resumed specie payments, or designated an early day for that purpose. Combined with the conviction of the ability of the banks to resume, and with the fact that their paper shall have become equal, or nearly equal in value to specie, nothing is wanted for restoring entire confidence, but the

simultaneous resumption by the principal banks, acting in concert.

Although the convention could not be prevailed upon, either to fix at this time a day on which to resume, or to meet again on an earlier day than the 11th of April ; although it is peculiarly to be regretted that, from incidental considerations, it should not have yielded to our request to meet in the first days of March, yet the conference has been attended with considerable advantages. There has been a free and mutual interchange of opinions. The serious attention of all the banks has been drawn to the absolute necessity of an early resumption : and the suggestion of a postponement for an indefinite time, if ever seriously entertained, has been abandoned. We may now rely with confidence, on a great unanimity from the eastern, southern, and north-western sections of the Union, in fixing, at our next meeting, the earliest practicable day for the resumption of specie payments. It is true that the banks of Philadelphia and Baltimore, appeared to contemplate a more remote time than we did, not certainly because of being less able or prepared than ourselves, or others, but on general grounds. It now appears, from official returns, that the banks of Pennsylvania are, in every respect, better prepared than those of the city of New-York. And it has been announced by the highest authority in that state, that "the banks of Pennsylvania are in a much sounder state than before the suspension ; and that the resumption of specie payments, so far as it depends on their situation and resources, may take place at any time." The great fall at this early day in the rate of foreign exchanges, which has exceeded our most sanguine expectations, had not been anticipated by them. A fact so important, and which gives a new aspect to the whole subject, cannot fail to have a powerful influence on their decision. We entertain sanguine hopes, that this and the course of events will remove their objections, and induce them to

unite and act in concert with us. We are under the firm conviction, that the result depends on their determination, and that, if they agree to it, the resumption may with facility be effected at an early day. Should they persevere in the opinion, that an early resumption is inexpedient and dangerous, it may, considering the magnitude of their capital, prove difficult for the other banks, and particularly for those of this city, with their resources alone, to maintain permanently specie payments.

In the meanwhile, the line of our duty is obvious : and we have only to continue, by every measure in our power, to strengthen ourselves, and to be prepared, at the earliest possible day, to fulfil our engagements, and to resume and maintain specie payments. To the early completion of the measures now in train for that purpose, we respectfully, but most earnestly call the immediate attention of the city banks, as an indispensable requisite before a day can be fixed for resumption. The country banks, with most laudable exertions, have taken all the necessary steps, and are prepared to resume at any time.

ALBERT GALLATIN,
 GEO. NEWBOLD,
 C. W. LAWRENCE,
 CONS. HEYER,
 JOHN J. PALMER,
 PRESERVED FISH,
 G. A. WORTH.

December 15, 1837.



